



January 30, 2004

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution, N.W.
Washington, DC 20551

Docket Numbers: 1167 Regulation Z
 1168 Regulation B
 1169 Regulation E
 1170 Regulation M
 1171 Regulation DD

I am writing to you on behalf of American Sterling Bank, a federally chartered thrift, located in Sugar Creek, Missouri, with assets of approximately \$240 million. This letter reflects our views on the amendments to the regulations cited above. The proposal makes the form of disclosures consistent among the various consumer protection regulations. Specifically, it adopts the “clear and conspicuous” standard, along with examples, currently contained in Regulation P. The Board explains that its purpose is two-fold: 1) to facilitate compliance by institutions by creating consistency and 2) ensure that consumers receive noticeable and understandable information.

These amendments, as structured, would be costly to implement and have an adverse impact on our bank. The proposals would have a negative impact on compliance and would not significantly improve consumer understanding. The current Regulation Z standard is “understandable” to move to “reasonably understandable” would increase the compliance burden on our bank. For example, the thrift currently uses a combination note, security agreement and TIL disclosure for all consumer non-real estate loans. This form is currently on 8 1/2 x 14 paper. This form has been in use for several years and has been reviewed by auditors and examiners with no criticism concerning the design of the form. ANY increase in the TIL disclosure will cause the form to extend to multiple pages thereby doubling the cost to reproduce the same note, security agreement and disclosure. Not only will the form change, additional training will need to be invested as well as legal review of the changes to the form. All of the fees for this note would cost the bank a significant amount of capital and more importantly time.

Another example of a form that would need to be changed is our account statement(s). Currently the back of our statements contain instructions along with tools to assist the customer in reconciling their account. Our customers are mostly elderly and we provide large print and extra lines to facilitate the reconciliation process. Our customers like these features and it is a success and a means of differentiation from our competitors. We also include regulatory language for billing notice errors as required by Regulation E and Z. Again the implementation of proposed changes would cause us to reformat the back of our statements. We could shorten

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BLUE RIDGE	BLUE SPRINGS	SUGAR CREEK	ARIZONA	CALIFORNIA MORTGAGE DIVISION
4668 Blue Ridge Blvd.	1330-A North 7 Highway	535 South Sterling at 24 Hwy.	11 Sundial Circle, P.O. Box 2510	1 Sterling, Suite 200
Kansas City, MO 64133-2033	Blue Springs, MO 64014-2282	Sugar Creek, MO 64054-1501	Carefree, AZ 85377-2510	Irvine, CA 92618-2517
816-521-2591	816-521-2590	816-521-2500	480-575-3300	949-616-1000
Fax: 816-358-6959	Fax: 816-228-2995	Fax: 816-254-0200	Fax: 480-575-3399	Fax: 949-616-1048

the reconciliation area that we provide to our customers (who like the current format) OR we could add another page to their statement. The creation of a new page would cause additional expense including paper and processing time. Another potential cost could be an increase in postage due to the extra weight of this disclosure page. Either alternative results in customer dissatisfaction or additional cost.

The proposed changes would not be beneficial to the customer. As stated earlier the increase in format size would increase the number of pages associated with an account-opening package. The more pages involved in a transaction, the less likely the consumer will read the forms. Therefore while the forms may become more readable, there is no evidence that the consumer will read them more than they currently do.

The basis for all disclosures for all regulations are the examples and models provided by the Federal Reserve through the regulations and commentaries. As such, existing compliance forms if based on the models provided, are consistent by way of matching disclosures from the Federal Reserve. If there are deficiencies noted on forms and model disclosures currently, the industry would face class action lawsuits and would be aware that the proposed changes would be necessary. According to the American Bankers Association, no demonstrative evidence is available which indicates a need for the proposed changes.

To conclude, it is our opinion that these proposals would not enhance customer satisfaction. Existing documentation relating the customer's transaction would increase. Customers would receive additional paperwork that in some cases would lengthen the amount of time to open the account. The proposed changes would require a significant amount of work and cost. The bank would have to reprogram software systems as well as modify and replace existing forms. Training and education for associates would be extensive.

Thank you for the opportunity to comment on these proposed rules. If you have any questions or comments pertaining to my letter please contact me at the address below.

A handwritten signature in black ink that reads "Chris Spellman". The signature is written in a cursive, flowing style.

Christopher T. Spellman
American Sterling Bank
11206 E. 24 Highway
Sugar Creek, MO 64054
(816) 521-2500